

TABLE 8.—*Federal credit programs*

[In billions of dollars]

	Total Federal loans outstanding	Guaranteed and insured loans	Direct loans
1939.....	10.0	2.2	7.8
1953.....	25.9	15.8	10.1
1966 (estimated).....	136.3	98.2	38.1

Government lending entered its take-off state in the Great Depression to fill credit gaps then prevailing and to finance improvements for social reasons. In total, Federal credit programs are now well in excess of \$136 billion as compared with their prewar peak of \$10 billion. Guaranteed loans alone have risen from \$2 billion to roughly \$98 billion over this period! This unparalleled expansion reflects the penetration of Federal direct loans and underwriting into mortgage financing. Nearly a third of all mortgages written since 1949 have been financed or guaranteed by Federal credit agencies. These guarantees have in turn affected the quality as well as the quantity of mortgage credit through down-payment requirements, length of amortization, appraisal procedures and related factors. With the risk of loss through default limited or removed, mortgage loans have tended to move up relative to market or appraisal values.

Interest rates vary widely among public lending agencies, ranging from 2% for direct loans by Rural Electrification Administration to 6% for certain loans of the Veterans Administration.

TABLE 9.—*Mortgage debt outstanding at year end*

[Dollar amounts in billions]

	Total, all holders	Financed or underwritten by Federal credit agencies		Privately financed
		Total	Percent of all mortgages	
1939.....	\$35.5	\$6.8	19.2	\$28.7
1950.....	72.8	24.9	34.2	47.9
1966.....	366.0	99.8	27.3	266.2

F. GOVERNMENT SUBSIDY AND QUASI-SUBSIDY

Government can significantly condition or alter market response through the use of subsidies to supply goods or services at less than cost. It can offer capital to governmental or private enterprises at less than prevailing interest rates in financial markets. State and local governments, through the remission of taxes or other charges can influence plant location. Still another form of subsidy is the provision of government insurance at rates less than in the private sectors.

The intent of subsidy is to achieve a desired social or economic objective by providing a product or service that would otherwise be offered at a higher market-determined price. Federal subsidies have been estimated by the Legislative Reference Service of the Library of Congress to total about \$8 billion annually in recent years. The cumulative outlays for such purposes since 1950 are now about \$85 billion and this sum does not include veterans programs, foreign aid and some of the other major expenditures that might well be embraced in a broader definition of subsidy.

Over half of all subsidy over this period has been extended to agriculture in connection with carrying costs and losses involved in price supports, agricultural surplus disposal abroad and soil-bank acreage restrictions. Business subsidies largely in the form of postal deficits and shipping and aviation subsidies have comprised about a fifth of all Federal subsidies. Subsidies to labor, largely for unemployment trust fund administration, have in turn totaled about \$6.5